

Chapter 10C

FCA senior managers regime
for approved persons in
SMCR firms



10C.6B Systems and controls functions:
Other

		Seniority
10C.6B.1	G	The FCA expects a <i>firm</i> to ensure that a person performing a function in this section for a <i>firm</i> has sufficient expertise and authority to perform that function effectively. A <i>director</i> or <i>senior manager</i> would meet this expectation.
		The chief operations function (SMF24)
10C.6B.2	R	<p>(1) The <i>chief operations function</i> is the function of having overall responsibility for managing all or substantially all the internal operations or technology of the <i>firm</i> or of a part of the <i>firm</i>.</p> <p>(2) In deciding whether a <i>person</i> has overall responsibility for managing all or substantially all the matters described in (1) for the purposes of this <i>rule</i>, the following are left out of account if one or more other <i>persons</i> have overall responsibility for them:</p> <p>(a) the matters to which the <i>internal audit requirements for SMCR firms</i>, the <i>compliance requirements for SMCR firms</i> or the <i>risk control requirements for SMCR firms</i> relate;</p> <p>(b) the matters to which any of the <i>FCA required functions</i> relate; or</p> <p>(c) any part of the <i>firm</i> responsible for advising other parts of the <i>firm</i>.</p> <p>(3) (2) applies to a <i>firm</i> whether or not the requirements in (2)(a) or the functions in (2)(b) apply to it.</p> <p>(4) The <i>chief operations function</i> does not include the function of acting in the capacity of a <i>chief executive</i> of a <i>firm</i>.</p> <p>(5) A <i>person</i> (P) does not perform the <i>chief operations function</i> by managing the internal operations or technology of a part of a <i>firm</i> that carries out other functions (such as a part of the <i>firm</i> that carries on <i>regulated activities</i> with <i>clients</i>) as part of P's function of managing that part of the <i>firm</i>.</p> <p>(6) A <i>firm's SMCR legal function</i> is not included in the <i>firm's</i> internal operations or technology for the purpose of the definition of the <i>chief operations function</i>.</p>

10C.6B.3	G	<p>(1) In ■ SUP 10C.6B.2R technology refers principally to the <i>firm's</i> information and communications technology (ICT) systems and services.</p> <p>(2) Those services include but may not be necessarily limited to the mechanisms and networks that support the operations of a <i>firm</i>, including data entry, data storage, data processing and reporting services, but also monitoring, business and decision support services.</p>
10C.6B.4	G	<p>The <i>chief operations function</i> may include but not necessarily be limited to areas such as:</p> <p>(1) business continuity (including responsibility for compliance with ■ SYSC 4.1.6R and ■ SYSC 4.1.7R (Business continuity), if those <i>rules</i> apply to the <i>firm</i>);</p> <p>(2) cybersecurity;</p> <p>(3) information technology;</p> <p>(4) internal operations;</p> <p>(5) operational continuity, resilience and strategy;</p> <p>(5) outsourcing, procurement and vendor management; and</p> <p>(5) management of services shared with other <i>group</i> members.</p>
10C.6B.5	G	<p>As explained in ■ SYSC 26.11.4G (Overall responsibility for internal operations), if:</p> <p>(1) a <i>firm</i> does not have anyone who performs the <i>chief operations function</i>; but</p> <p>(2) ■ SYSC 26 (Senior managers and certification regime: Overall and local responsibility) applies to the <i>firm</i>;</p> <p>the firm should allocate responsibility for the functions in ■ SUP 10C.6B.4G among its <i>SMF managers</i> under ■ SYSC 26.</p>
10C.6B.6	G	<p>If a <i>firm</i> is required to have a <i>management responsibilities map</i>, the map should include the functions in ■ SUP 10C.6B.4G, whether or not the <i>firm</i> has someone who performs the <i>chief operations function</i> (see ■ SYSC 25 Annex 1 (Examples of the business activities and functions of an SMCR firm)).</p>
10C.6B.7	G	<p>The table in ■ SUP 10C.6B.8G gives examples of how the <i>chief operations function</i> applies.</p>
10C.6B.8	G	<p>Table: Examples of how the chief operations function applies</p>

Example	Comments
<p>(1) <i>Firm A</i> has the following three individuals.</p> <ul style="list-style-type: none"> - Chief Operating Officer (COO); - Chief Information & Technology Officer (CITO); - Head of Human Resources (Head of HR). <p>The Head of HR and the CITO report to the COO.</p>	<p>The COO is the only person performing the <i>chief operations function</i>.</p>
<p>(2) <i>Firm A</i> has the following two individuals:</p> <ul style="list-style-type: none"> - Chief Operating Officer (COO); - Chief Information and Technology Officer (CITO). <p>The COO and CITO are equally senior. Both have separate reporting lines to the Board and the CEO.</p> <p>Overall responsibility for information technology is shared between the COO and CITO.</p> <p>The COO has overall responsibility for all other internal operations.</p>	<p>Both individuals perform the <i>chief operations function</i>.</p>
<p>(3) <i>Firm A</i> has two business lines (broking and advice). It has the following individuals:</p> <ul style="list-style-type: none"> - a Chief Operating Officer responsible for the internal operations of the broking business (other than technology) (B) - a Chief Information and Technology Officer for the broking business (C) - an individual who combines the roles of Chief Operating Officer and Chief Information and Technology Officer for the advice business (D). <p>B, C and D are equally senior. They all have separate reporting lines to the Board and the CEO.</p>	<p>B, C and D perform the <i>chief operations function</i>.</p>
<p>(4) <i>Firm A</i> splits overall responsibility for its internal operations between various individuals. A separate individual is responsible for human resources, business continuity, procurement and outsourcing, buildings and the remaining parts of internal operations. <i>Firm A</i> also has a Chief Information & Technology Officer (CITO) with responsibility for all the <i>firm's</i> technology.</p>	<p>The CITO performs the <i>chief operations function</i>.</p> <p>None of the others perform the <i>chief operations function</i>. This is because none of them has responsibility for the <i>firm's</i> internal operations as a whole or for all the internal operations of a part of the business. <i>Firm A</i> has divided the responsibility based on function rather than business line.</p>

Example	Comments
Each individual is equally senior.	However those others may be performing the <i>other overall responsibility function</i> .
(5) <i>Firm A</i> has a Chief Operating Officer (B) responsible for its internal operations. However <i>Firm A</i> separates its internal advisory functions (such as economic and market analysis) and allocates them to C.	B performs the <i>chief operations function</i> . C does not. The same answer would apply if C's functions were split between several others.
(6) <i>Firm A</i> has a Chief Operating Officer (B). B does not report to the <i>firm's governing body</i> . B reports to several directors about different aspects of B's job, who in turn report to the <i>governing body</i> .	B does not perform the <i>chief operations function</i> . B does not have overall responsibility for internal operations as B does not have direct responsibility to the <i>governing body</i> . SYSC 26.7 (Meaning of local and overall responsibility: Reporting to the governing body) is relevant to the meaning of overall responsibility in this context. The directors to whom B reports do not perform the <i>chief operations function</i> either, for the reasons in Example (4).
(7) <i>Firm A</i> has two business lines (broking and advice). B is chief executive of the broking division and C is chief executive of the advisory division. Each chief executive is responsible for the internal operations and IT of their division. Both B and C report to the Board.	SUP 10C.6B.2R(5) means that neither B nor C performs the <i>chief operations function</i> .
(8) <i>Firm A</i> has a Chief Operating Officer (B) responsible for its internal operations. B is not responsible for <i>Firm A</i> 's legal department, which is managed by the <i>firm's</i> general counsel (C).	B performs the <i>chief operations function</i> . C does not.